

Negotiations And Love Songs

You don't get what you deserve in business, according to Chester L. Karras, you get what you negotiate. Karras is the author of several books on negotiation strategy and technique, and according to his promotional materials, his organization presents more than 1000 seminars each year. He is also probably the most prolific advertiser in the various airline magazines you'll likely find in the seat pocket in front of you on a commercial airliner. Karras makes his living teaching people how to buy more effectively, and it's a reasonable proposition that you've run into printing buyers who've read his books or been through his programs before, or that you will in the future.

For many years, I've referenced Karras in my *PRINTSELLING* seminar, making note of the fact that printing buyers go to buyers' school, just like the people who attend my seminars are spending time at selling school. And what they teach at buyers' school, I explain, is that it's usually possible to intimidate a salesperson into doing what you want him/her to do. All you usually have to do it to threaten to not buy what he/she is hoping to sell!

I've never read one of Karras's books or been to one of his seminars, and I don't know if he ever actually uses the "I" word, but I promise you that intimidation is usually what's happening in any printing sales negotiation. It may be the buyer making a conscious effort to intimidate the salesperson, or it may just be a young or otherwise underequipped salesperson being intimidated by the buyer. Either way, it doesn't have to result in the buyer winning and the seller losing. In fact, the whole idea behind negotiation is to come up with a win-win solution.

The word solution implies a problem, by the way, and I think that's the healthiest way to look at any situation where the buyer doesn't want to buy at the terms the seller wants to sell at. This is a subtle point, perhaps, but I think it's an important point. Once you identify and quantify a problem, you can start thinking about a solution. I think it's fair to say that many printing salespeople don't view their inability to connect with certain people as a problem. And since it's not a problem, they don't think about solutions. They just keep calling to "check in" or see if the prospect or customer has anything else to quote on. As I have written many times before, that's not selling. Real selling is as much about problem solving as anything else.

What Gets Won

Whether there's a winner and a loser—or two or more winners—in a negotiation, something usually gets won. Let's think about exactly what the "victory" in a printing sales negotiation might be. From the seller's side, it's pretty straightforward. You're trying to win the opportunity to turn some of your time, materials and expertise into possession of enough of the buyer's money to make it a worthwhile and profitable transaction.

From the buyer's side, there's an obvious victory, and some not-so-obvious possibilities. The obvious part is to be able to buy what they need at the lowest possible price. The not-always-so-obvious possibilities are to buy quality that really meets their needs, to buy service that really makes their lives easier, to buy a delivery schedule that will keep them/get them out of trouble, and to buy expertise that holds value beyond the print/copy job they want to talk about today. To put that another way, negotiations are not always about price.

Unfortunately, price is the only thing most printing salespeople seem willing and able to negotiate, and that usually means that the printing company ends up the loser in any buyer-initiated negotiation.

Three Negotiable Issues

From my perspective, there are three negotiable issues in printing sales: value, cost and price. The best/most successful printing salespeople I know address them in that specific order! When a customer or prospect raises a price objection, their first strategy is to stress the value that comes along with the price.

The second strategy—if the first one doesn't produce the desired result!—is to negotiate cost items such as paper, ink and/or turnaround time. The third strategy—used only as a last resort!—is to negotiate price.

Negotiating Value

A few months ago I introduced the formula $V_i = P_p - BD$. The left side of this equation (pronounced point-vee-sub-eye) refers to the Initial Point of Value, which defines the price that the buyer would most like to pay—typically the lowest price being offered on that product or service in the marketplace. According to the formula, the Initial Point of Value is equal to a Premium Price minus any Benefit Differential.

As I wrote in that column, it might be better to express this idea a little differently. We can also say that the Benefit Differential—the "more for your money" factor that is usually connected to quality, service and/or relationship—added to the Initial Point of Value equals the Premium Price that can be charged for any particular product or service. In other words, when you give them more, you can charge them more!

They key, of course, is to communicate that Benefit Differential. The salespeople who can do that are often winners in their negotiations.

Negotiating Cost

I tell another story in the *PRINTSELLING* seminar about a print buyer I interviewed 7-8 years ago, who told me that in 15 years of buying printing and dealing with printing salespeople, she had come to believe that there were two things she could always count on. One was that there was always a lower price, and the other was that there was always a better way to design or produce any individual print job. In terms of price, she told me, if you don't like the prices you've got, just call a few more printers. The chances are very good, she said, that you'll find someone who's willing to sell to you at lower prices.

Either that, she said, or just tell the people who've already given you prices that their prices are too high. This printing buyer had obviously learned the value of intimidation!

She also told me, though, about a number of situations where the salespeople responded to her comments about price by talking about cost. "If we can use a different paper here, I can reduce the cost of the job," one salesperson said. Another suggested reducing the finished size of a piece by about ¼" all around, which allowed them to print a full bleed on their small press, rather than having to run the job on a larger press with a higher hourly burden rate. Still another suggested making up a PMS 5th color out of process color. (That, by the way, may not be the sort of selling problem you've run into in the past, but as quick/digital/small commercial printers move into short-run 4/C process, it's one that's becoming more and more common.)

This print buyer made it clear that she understood the difference between reducing cost and lowering price. "I have no problem with the printer making a profit," she told me. "If a salesperson has ideas about how to reduce my bottom-line cost without effecting the quality and service and most importantly the performance of my printing, I'm very interested."

"I've been disappointed before when I bought cheap," she continued, "with lousy quality or late deliveries or things like that. But I have usually been very happy when I bought a salesperson's ideas for reducing my cost."

Negotiating Price

OK, let's say that you've tried to negotiate both value and cost, and you haven't gotten anywhere. Experience has shown that there are people in this world who are not capable of—or just not interested in—comparing anything but price. Do you negotiate your price? Under certain circumstances, that's exactly what you should do...but let's consider those circumstances!

First of all, what does your current production schedule look like? If you have room in your schedule, accepting a job at something lower than your normal margins might be a good idea. Let's not ever replace—or delay—profitable work with not-so-profitable work, though. And let's also consider how much of a price concession will be necessary to "win" a particular job. I might negotiate with up to half of my normal profit margin, but I wouldn't go beyond that. Remember, the essence of successful negotiation is that all parties win. And while you might count it as a "win" if the job went smoothly and you made a little bit of money, don't forget the possibility that the job won't go well! If a job at normal margins costs more than you estimated to actually produce it, you probably still make at least a little money. When you start shaving the margins, though, it can be a much different story!

Let's also make sure that we understand the difference between *negotiation* and *concession*. When the prospect or customer says your price is too high and you simply lower it, that's concession. The spirit of negotiation is that you get something in return.

That something would obviously include the job in question, but let's set our sights a little bit higher. "If I lower the price on this order," you might say, "can I count on getting a significant share of your business? Will you agree to meet with me again to give me the opportunity to ask you about all of your printing needs, and tell you about all of our capabilities? If I do this for you, will you promise to return my phone calls promptly every time I call you?"

As I've written before, you have to *give to get*, and that applies to *both parties* in a negotiation. I decided a long time ago that I wasn't willing to simply lower my price—to concede!—in every negotiation. I wanted to get at least something from the buyer in return for anything I had to give away. Admittedly, some of things I won in those negotiations were symbolic at best, but if nothing else, I was able to look at myself in the mirror and know that I didn't just cave in on my price because a buyer tried to intimidate me.

Finally, please remember that price is only one of three things that are open for negotiation, and negotiating the price should always be your last resort. There have been plenty of times in my own selling career where I closed the sale by negotiating value or cost, and those were always win-win situations.